Reference Articles  
East India Company: American Revolution  
  
  
Robert Clive  
  
On New Year's Eve 1600, Queen Elizabeth I signed a charter creating the East India Company. By the 1770s the company had a vast trading fleet carrying its cargoes. Among its goods was tea imported from Asia, over which it had a monopoly. In 1773 the intersection of this company and this luxury good with British North America became one of the catalysts that sparked the American Revolution.  
  
In 1772 a panic struck London's financial houses. More than twenty firms collapsed, and others, including the East India Company, which was already financially troubled, were threatened with financial chaos. Unable to obtain a loan from the Bank of England, the company decided the best way to raise money quickly was to sell the 18 million pounds of tea then stored in its English warehouses. An obvious market in which to sell such a large quantity of tea was British North America. Britain's mercantilist and imperial policies, however, raised two barriers to this sale.  
  
First, the company had to sell the tea in England to the highest bidder; then merchants could ship it to the American colonies. This added significantly to the cost of the tea. Second, the Townshend Acts' three-pence per pound tax on tea remained in place. The tax was financially insignificant but politically explosive. The colonists resented this tax, which had been imposed on them without representation in Parliament.  
  
In May 1773, Lord North's ministry secured the passage of the Tea Act, which allowed the company to market half a million pounds of tea directly to the colonies in order to save it from bankruptcy. The British government, however, adamant that the principle of the right of taxing the colonies be maintained, kept the Townshend Acts' tax on the tea.  
  
The Tea Act was immediately greeted in the colonies with hostility. The sale of the company's tea, which was now much cheaper than usual, would undercut American smugglers and eliminate regular American importers. The colonists feared that the Tea Act would foster a monopoly over trade, particularly because the company's tea was consigned to just a few favored mercantile agents in a few American ports. This, the colonists believed, would make it easier for the British government to impose taxes.  
  
The tea ships that sailed to Philadelphia and Charlestown were met with stout popular resistance, and the tea was never sold. On November 27, 1773, three ships carrying the East India Company's tea arrived in Boston Harbor. Bostonians did prevent the ships from being unloaded, but this did not stop the company's supporters, including Governor Thomas Hutchinson. He decided that the ships must either pay the import taxes or have their cargoes seized by customs agents, after which the tea could be offered for sale at auction prices.  
  
To prevent the tea from entering Boston, the town's Patriot societies, under the leadership of Samuel Adams, took action. On the night of December 16, 1773, townsmen dressed as Mohawk Indians boarded the ships and dumped 342 chests of tea into Boston Harbor. The Boston Tea Party was applauded by many colonists, but the British response was to close Boston to all trade and pass the Coercive Acts, thus setting the stage for the clash of arms that would begin the American Revolution.  
  
Andrew J. Waskey  
  
  
Further Reading  
  
Gardner, Brian. The East India Company. New York: Barnes & Noble, 1997; Keay, John. The Honourable Company: A History of the English East India Company. New York: Macmillan, 1994.  
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Questions

1. What were the negative and positive effects of the East India Company for Britain?
2. Did the East India Company have a positive or negative effect on American colonies, why?
3. How do you think the East India Company affected India?